

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Germfask	County Schoolcraft
Fiscal Year End March 31, 2008	Opinion Date May 16, 2008	Date Audit Report Submitted to State May 21, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

2 **0** Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 16, 2008

To the Township Board
Township of Germfask
Schoolcraft County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Germfask, Schoolcraft County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Germfask's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Township of Germfask, Schoolcraft County, Michigan as of March 31, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 16, 2008, on our consideration of the Township of Germfask's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Germfask covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$493,368.43 for governmental activities and \$318,659.05 for business-type activities.

Overall revenues were \$204,424.21. Governmental activities had a \$26,077.53 increase in net assets and business-type activities had a \$5,181.19 decrease in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund and the Water Fund.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended March 31, 2008

	Governmental Activities 2008	Business-Type Activities 2008	Total 2008
Current Assets	208 562	66 359	274 921
Capital Assets	<u>284 806</u>	<u>318 600</u>	<u>603 406</u>
Total Assets	<u>493 368</u>	<u>384 959</u>	<u>878 327</u>
Current Liabilities	-	300	300
Non-current Liabilities	<u>-</u>	<u>66 000</u>	<u>66 000</u>
Total Liabilities	<u>-</u>	<u>66 300</u>	<u>66 300</u>
Net Assets:			
Invested in Capital			
Assets	284 806	252 301	537 107
Restricted	-	59 915	59 915
Unrestricted	<u>208 562</u>	<u>6 443</u>	<u>215 005</u>
Total Net Assets	<u>493 368</u>	<u>318 659</u>	<u>812 027</u>

	Governmental Activities 2008	Business-Type Activities 2008	Total 2008
Program Revenues:			
Fees and Charges			
for Services	10 879	36 239	47 118
Operating Grants and			
Contributions	16 003	-	16 003
General Revenues:			
Property Taxes	58 929	-	58 929
Other Taxes	11 460	-	11 460
State Revenue Sharing	39 452	-	39 452
Interest	2 513	448	2 961
Miscellaneous	<u>28 501</u>	<u>-</u>	<u>28 501</u>
Total Revenues	<u>167 737</u>	<u>36 687</u>	<u>204 424</u>
Program Expenses:			
Legislative	2 240	-	2 240
General Government	77 476	-	77 476
Public Safety	22 494	-	22 494
Public Works	19 211	41 868	61 079
Other	<u>20 239</u>	<u>-</u>	<u>20 239</u>
Total Expenses	<u>141 660</u>	<u>41 868</u>	<u>183 528</u>
Increase (Decrease) in			
Net Assets	26 077	(5 181)	20 896
Net Assets, April 1	<u>467 291</u>	<u>323 840</u>	<u>791 131</u>
Net Assets, March 31	<u>493 368</u>	<u>318 659</u>	<u>812 027</u>

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Building Fund.

Business Type Funds: The Township has a Water Fund, which provides water services to the Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services which totaled \$143,521.03.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$19,624.16 in capital assets.

The Township's business-type activities did not invest in capital assets this year.

The Township's business-type activities paid \$4,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future state of revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Linda Norris at P.O. Box 132, Germfask, MI 49836-0132.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	197 430 53	662 66	198 093 19
Accounts receivable	-	5 780 75	5 780 75
Taxes receivable	11 131 21	-	11 131 21
Cash in bank – restricted	-	59 915 14	59 915 14
Total Current Assets	<u>208 561 74</u>	<u>66 358 55</u>	<u>274 920 29</u>
NONCURRENT ASSETS:			
Capital Assets	394 524 16	672 805 50	1 067 329 66
Less: Accumulated Depreciation	<u>(109 717 47)</u>	<u>(354 205 00)</u>	<u>(463 922 47)</u>
Total Noncurrent Assets	<u>284 806 69</u>	<u>318 600 50</u>	<u>603 407 19</u>
TOTAL ASSETS	<u>493 368 43</u>	<u>384 959 05</u>	<u>878 327 48</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accrued interest payable	-	300 00	300 00
Total Current Liabilities	<u>-</u>	<u>300 00</u>	<u>300 00</u>
NONCURRENT LIABILITIES:			
Bonds payable	-	66 000 00	66 000 00
Total Noncurrent Liabilities	<u>-</u>	<u>66 000 00</u>	<u>66 000 00</u>
Total Liabilities	<u>-</u>	<u>66 300 00</u>	<u>66 300 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	284 806 69	252 300 50	537 107 19
Restricted for debt service	-	59 915 14	59 915 14
Unrestricted	<u>208 561 74</u>	<u>6 443 41</u>	<u>215 005 15</u>
Total Net Assets	<u>493 368 43</u>	<u>318 659 05</u>	<u>812 027 48</u>
TOTAL LIABILITIES AND NET ASSETS	<u>493 368 43</u>	<u>384 959 05</u>	<u>878 327 48</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

		Program Revenue		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses			
Governmental Activities:				
Legislative	2 240 00	-	-	(2 240 00)
General government	77 476 29	4 942 59	-	(72 533 70)
Public safety	22 494 39	2 251 75	16 003 00	(4 239 64)
Public works	19 210 45	3 685 00	-	(15 525 45)
Other	20 238 56	-	-	(20 238 56)
Total Governmental Activities	141 659 69	10 879 34	16 003 00	(114 777 35)
Business Type Activities:				
Water and sewer	41 868 18	36 238 50	-	-
Total Business Type Activities	41 868 18	36 238 50	-	-
Total Government	183 527 87	47 117 84	16 003 00	(114 777 35)
General Revenues:				
Property taxes				58 929 40
Other taxes – swamp				11 460 04
State revenue sharing				39 451 87
Hall rent				6 690 00
Interest				2 512 93
Miscellaneous				21 810 64
Total General Revenues				140 854 88
Change in net assets				26 077 53
Net assets, beginning of year				467 290 90
Net Assets, End of Year				493 368 43

The accompanying notes are an integral part of these financial statements.

Business Type Activities	Total
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(2 240 00)
-	(72 533 70)
-	(4 239 64)
-	(15 525 45)
-	(20 238 56)
-	(114 777 35)
(5 629 68)	(5 629 68)
(5 629 68)	(5 629 68)
(5 629 68)	(120 407 03)
-	58 929 40
-	11 460 04
-	39 451 87
-	6 690 00
448 49	2 961 42
-	21 810 64
448 49	141 303 37
(5 181 19)	20 896 34
323 840 24	791 131 14
318 659 05	812 027 48

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2008

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	197 419 54
Taxes receivable	11 131 21
Due from other funds	<u>10 99</u>
Total Assets	<u>208 561 74</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	<u>-</u>
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>208 561 74</u>
Total fund equity	<u>208 561 74</u>
Total Liabilities and Fund Equity	<u>208 561 74</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	208 561 74
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	394 524 16
Accumulated depreciation	<u>(109 717 47)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>493 368 43</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2008

	<u>Total (General)</u>
Revenues:	
Property taxes	58 929 40
Other taxes – swamp	11 460 04
State revenue sharing	39 451 87
Federal grant	16 003 00
Charges for services	7 194 34
Interest	2 512 93
Special assessments- solid waste	3 685 00
Hall rental	6 690 00
Miscellaneous	<u>21 810 64</u>
Total revenues	<u>167 737 22</u>
Expenditures:	
Legislative:	
Township Board	2 240 00
General government:	
Supervisor	10 656 00
Elections	2 044 50
Clerk	5 095 50
Assessor	6 864 00
Board of Review	699 50
Treasurer	5 229 00
Township hall and grounds	31 389 83
Cemetery	4 500 00
Unallocated	7 563 78
Public safety:	
Fire protection	7 676 15
Liquor	489 60
Public works:	
Highways and streets	2 590 78
Street lighting	6 617 17
Sanitation	8 802 50
Hydrant rental	1 200 00
Other:	
Insurance	16 646 00
Retirement	3592 56
Capital outlay	<u>19 624 16</u>
Total expenditures	<u>143 521 03</u>
Excess of revenues over expenditures	24 216 19
Fund balances, April 1	<u>184 345 55</u>
Fund Balances, March 31	<u><u>208 561 74</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 24 216 19

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(17 762 82)
Capital Outlay	<u>19 624 16</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 26 077 53

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

STATEMENT OF NET ASSETS- ALL PROPRIETARY FUNDS
March 31, 2007 and 2008

	<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>
<u>Assets</u>		
Current assets:		
Cash in bank	1 055 48	662 66
Accounts receivable	<u>2 130 75</u>	<u>5 780 75</u>
Total current assets	<u>3 186 23</u>	<u>6 443 41</u>
Restricted assets:		
Cash in bank	<u>57 142 15</u>	<u>59 915 14</u>
Total restricted assets	<u>57 142 15</u>	<u>59 915 14</u>
Property, plant and equipment:		
Water system	672 805 50	672 805 50
Accumulated depreciation	<u>(338 993 64)</u>	<u>(354 205 00)</u>
Net property, plant and equipment	<u>333 811 86</u>	<u>318 600 50</u>
Total Assets	<u>394 140 24</u>	<u>384 959 05</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	4 000 00	4 000 00
Accrued interest payable	<u>300 00</u>	<u>300 00</u>
Total current liabilities	<u>4 300 00</u>	<u>4 300 00</u>
Long-term liabilities:		
Revenue bonds payable	70 000 00	66 000 00
Less current portion	<u>(4 000 00)</u>	<u>(4 000 00)</u>
Total long-term liabilities	<u>66 000 00</u>	<u>62 000 00</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	263 511 86	252 300 50
Reserved	57 142 15	59 915 14
Unreserved	<u>3 186 23</u>	<u>6 443 41</u>
Total fund equity	<u>323 840 24</u>	<u>318 659 05</u>
Total Liabilities and Net Assets	<u>394 140 24</u>	<u>384 959 05</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS- ALL PROPRIETARY FUNDS
Years ended March 31, 2007 and 2008

	<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>
Operating revenues:		
Charges for services	<u>35 079 05</u>	<u>36 238 50</u>
Total operating revenues	<u>35 079 05</u>	<u>36 238 50</u>
Operating expenses:		
Wages	6 821 00	7 645 00
Contracted services	12 542 47	11 334 54
Supplies	450 69	1 415 16
Utilities	648 66	880 62
Miscellaneous	<u>1 502 95</u>	<u>1 981 50</u>
Total operating expenses before depreciation	<u>21 965 77</u>	<u>23 256 82</u>
Operating income (loss) before depreciation	13 113 28	12 981 68
Less: depreciation	<u>(15 211 36)</u>	<u>(15 211 36)</u>
Operating income (loss)	<u>(2 098 08)</u>	<u>(2 229 68)</u>
Nonoperating income (expenses):		
Interest income	376 16	448 49
Interest expense	<u>(3 600 00)</u>	<u>(3 400 00)</u>
Net nonoperating income (expense)	<u>(3 223 84)</u>	<u>(2 951 51)</u>
Net income (loss)	(5 321 92)	(5 181 19)
Retained earnings, April 1	<u>329 162 16</u>	<u>323 840 24</u>
Retained Earnings, March 31	<u>323 840 24</u>	<u>318 659 05</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

STATEMENT OF CASH FLOWS- ALL PROPRIETARY FUNDS
Years ended March 31, 2007 and 2008

	<u>Water Fund</u>	
	<u>3/31/07</u>	<u>3/31/08</u>
Cash flows from operating activities:		
Cash received from customers	35 626 80	32 588 50
Cash payments to suppliers for goods and services	<u>(21 965 77)</u>	<u>(23 256 82)</u>
Net cash provided (used) for operating activities	<u>13 661 03</u>	<u>9 331 68</u>
Cash flows from capital and related financing activities:		
Principal paid on revenue bond maturities	(4 000 00)	(4 000 00)
Interest paid on revenue bonds	<u>(3 600 00)</u>	<u>(3 400 00)</u>
Net cash provided (used) for capital and related financing activities	<u>(7 600 00)</u>	<u>(7 400 00)</u>
Cash flows from investing activities:		
Interest income	<u>376 16</u>	<u>448 49</u>
Net cash provided (used) for investing activities	<u>376 16</u>	<u>448 49</u>
Net increase (decrease) in cash and cash equivalents	6 437 19	2 380 17
Cash and cash equivalents, April 1	<u>51 760 44</u>	<u>58 197 63</u>
Cash and Cash Equivalents, March 31	<u>58 197 63</u>	<u>60 577 80</u>
Reconciliation of operating income to net cash provided (used) for operating activities:		
Operating income (loss)	(2 098 08)	(2 229 68)
Depreciation	15 211 36	15 211 36
Increase (decrease) in assets and liabilities:		
Accounts receivable	<u>547 75</u>	<u>(3 650 00)</u>
Net Cash Provided (Used) for Operating Activities	<u>13 661 03</u>	<u>9 331 68</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Germfask, Schoolcraft County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Germfask. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases for materials are reflected in expenses when paid in all funds.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 5.2055 mills, and the taxable value was \$11,322,835.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	20-120 years
Equipment	5-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>258 008 33</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>58 353 02</u>
Total Deposits	<u>258 353 02</u>

The Township did not have any investments as of March 31, 2008.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land and improvements	49 500 00	-	-	49 500 00
Building	61 000 00	-	-	61 000 00
Equipment	264 400 00	19 624 16	-	284 024 16
Total	374 900 00	19 624 16	-	394 524 16
Accumulated Depreciation	(91 954 65)	(17 762 82)	-	(109 717 47)
Net Governmental Capital Assets	282 945 35	1 861 34	-	284 806 69
<u>Business Type Activities:</u>				
Water System	672 805 50	-	-	672 805 50
Accumulated Depreciation	(338 993 64)	(15 211 36)	-	(354 205 00)
Net Business Type Capital Assets	333 811 86	(15 211 36)	-	318 600 50

Note 5 – Water Bonds Payable

On August 11, 1980, the Township issued Water Supply System Revenue Bonds in the amount of \$125,000.00. The bonds bear interest at 5%, per annum. Indebtedness outstanding as of March 31, 2008, is as follows:

	<u>September 1</u>		<u>March 1</u>	<u>Total</u>
<u>Payable Fiscal Year Ended March 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Principal & Interest</u>
2009	4 000 00	1 650 00	1 550 00	7 200 00
2010	5 000 00	1 550 00	1 425 00	7 975 00
2011	5 000 00	1 425 00	1 300 00	7 725 00
2012	5 000 00	1 300 00	1 175 00	7 475 00
2013	5 000 00	1 175 00	1 050 00	7 225 00
2014	6 000 00	1 050 00	900 00	7 950 00
2015	6 000 00	900 00	750 00	7 650 00
2016	6 000 00	750 00	600 00	7 350 00
2017	6 000 00	600 00	450 00	7 050 00
2018	6 000 00	450 00	300 00	6 750 00
2019	6 000 00	300 00	150 00	6 450 00
2020	6 000 00	150 00	75 00	6 225 00
Totals	66 000 00	11 300 00	9 725 00	87 025 00

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2008

Note 5 – Water Bonds Payable (continued)

According to provisions of the Bond Ordinance, the Township was to establish and operate the following accounts:

Upon the commencement of service of the System, there is to be set aside and deposited each month pursuant to budget a sufficient portion of the income and revenues in an Operation and Maintenance Account to pay the reasonable and necessary current expenses of administration, operating and maintaining said system for the ensuing quarter.

After the transfer required above, there shall be transferred each month from the Water Supply System Receiving Account, before any other expenditures or transfers therefrom, and deposited in a Water Supply System Revenue Bond – Bond and Interest Redemption Account for payment of principal and interest on the bonds, a sum equal to at least 1/6 of the amount equal to the interest due on the next ensuing interest due date and not less than 1/12 of the principal maturing on the next ensuing bond maturity date.

Within the Bond and Interest Redemption Account, there is to be established a separate account to be known as the Bond Reserve Account, into which there shall be paid, commencing July 1, 1981, in equal monthly installments, from the revenues of the System after provision has been made for the Operation and Maintenance Account and the current requirements of the Bond and Interest Redemption Account, the sum of \$300 annually until there is accumulated in such account the sum of \$9,000.00. The monies in the Bond Reserve Account shall be used solely for the payment of the principal and interest on said Bonds as to which there would otherwise be default.

At March 31, 2008, the Township had \$ - 0 - in the Bond and Interest Redemption Account and \$23,991.96 in the Bond Reserve Account and \$35,923.19 in the Bond Revenue Account which is shown in the financial statements as restricted assets and restricted net assets.

Note 6– Pension Plan

The Township has a pension plan covering all full-time employees. Pension expense for the year ended March 31, 2008, was \$3,592.56.

Note 7– Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8– Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9– Building Permits

The Township of Germfask does not issue building permits. Building permits are issued by the County of Schoolcraft.

Note 10 – Prior Period Enterprise Fund Financial Statements

The financial statements for the Water Fund for the year ended March 31, 2007, are presented in this report to meet FHA requirements.

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

Note 11 – Budge Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activities:			
Supervisor	9 500 00	10 656 00	1 156 00
Elections	2 000 00	2 044 50	44 50
Clerk	4 700 00	5 095 50	395 50
Assessor	6 300 00	6 864 00	564 00
Treasurer	5 000 00	5 229 00	229 00
Cemetery	4 000 00	4 500 00	500 00
Liquor	489 00	489 60	60
Street lighting	6 500 00	6 617 17	117 17
Sanitation	5 000 00	8 802 50	3 802 50

TOWNSHIP OF GERMFASK
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	78 000 00	78 000 00	58 929 40	(19 070 60)
P.I.L.O.T. - swamp tax	11 460 00	11 460 00	11 460 04	04
State revenue sharing	32 522 00	32 522 00	39 451 87	6 929 87
Federal Grant	18 000 00	18 000 00	16 003 00	(1 997 00)
Charges for services	4 600 00	4 600 00	7 194 34	2 594 34
Hall rent	12 000 00	12 000 00	6 690 00	(5 310 00)
Interest	-	-	2 512 93	2 512 93
Special assessments-solid waste	6 000 00	6 000 00	3 685 00	(2 315 00)
Miscellaneous	22 500 00	22 500 00	21 810 64	(689 36)
Total revenues	185 082 00	185 082 00	167 737 22	(17 344 78)
Expenditures:				
Legislative:				
Township Board	2 240 00	2 240 00	2 240 00	-
General government:				
Supervisor	9 500 00	9 500 00	10 656 00	1 156 00
Elections	2 000 00	2 000 00	2 044 50	44 50
Clerk	4 700 00	4 700 00	5 095 50	395 50
Assessor	6 300 00	6 300 00	6 864 00	564 00
Board of Review	3 500 00	3 500 00	699 50	(2 800 50)
Treasurer	5 000 00	5 000 00	5 229 00	229 00
Township hall and grounds	32 140 00	32 140 00	31 389 83	(750 17)
Cemetery	4 000 00	4 000 00	4 500 00	500 00
Unallocated	21 300 00	21 300 00	7 563 78	(13 736 22)
Public safety:				
Fire protection	8 200 00	8 200 00	7 676 15	(523 85)
Liquor	489 00	489 00	489 60	60
Public works:				
Highways and streets	3 000 00	3 000 00	2 590 78	(409 22)
Street lighting	6 500 00	6 500 00	6 617 17	117 17
Sanitation	5 000 00	5 000 00	8 802 50	3 802 50
Hydrant rental	1 200 00	1 200 00	1 200 00	-
Other:				
Insurance	17 000 00	17 000 00	16 646 00	(354 00)
Retirement	3 600 00	3 600 00	3 592 56	(7 44)
Capital outlay	27 500 00	27 500 00	19 624 16	(7 875 84)
Total expenditures	163 169 00	163 169 00	143 521 03	(19 647 97)
Excess (deficiency) of revenues over expenditures	21 913 00	21 913 00	24 216 19	2 303 19
Fund balance, April 1	117 503 00	117 503 00	184 345 55	66 842 55
Fund Balance, March 31	139 416 00	139 416 00	208 561 74	69 145 74

TOWNSHIP OF GERMFASK
Schoolcraft County, Michigan

STATEMENT OF CHANGES IN ASSETS AND
LIABILITIES – CURRENT TAX COLLECTION FUND
Year Ended March 31, 2008

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
<u>Assets</u>				
Cash in bank	-	316 778 11	316 767 12	10 99
Total Assets	-	316 778 11	316 767 12	10 99
<u>Liabilities</u>				
Due to other funds	-	57 710 51	57 699 52	10 99
Due to others	-	259 067 60	259 067 60	-
Total Liabilities	-	316 778 11	316 767 12	10 99

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 16, 2008

To the Township Board
Township of Germfask
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Germfask, Schoolcraft County, Michigan, as of and for the year ended March 31, 2008, and have issued our report thereon dated May 16, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As a part of obtaining reasonable assurance about whether Township of Germfask's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Germfask's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses except for the inherent inadequate segregation of duties which is due to the limited number of office personnel employed.

This report is intended for the information of management and other regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Campbell Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 16, 2008

To the Township Board
Township of Germfask
Schoolcraft County, Michigan

We have audited the financial statements of the Township of Germfask for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Germfask in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Germfask
Schoolcraft County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants